

Meeting of Lanarkshire  
NHS Board  
29<sup>th</sup> May 2019

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**SUBJECT: FINANCIAL PLAN: 2019/20 UPDATE**

**1. PURPOSE**

This paper is coming to the Board:

For approval	<input checked="" type="checkbox"/>	For endorsement	<input type="checkbox"/>	To note	<input checked="" type="checkbox"/>
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The Board is asked to endorse the continued operation of the revenue financial framework approved at its meeting of 27 March 2019, now including the agreed savings plans. The Board is asked to approve the initial Capital Plan for 2019/20, noting future years. The Board is asked to note that as the year progresses any new allocations or significant changes in expenditure forecasts will be adjusted against this opening plan and reported to the Board or Policy Planning and Resources committee (PPRC) on a monthly basis.

**2. ROUTE TO THE BOARD**

The Board approved an opening plan for the use of its revenue resources at its meeting of 27 March 2019, subject to a more detailed review of the proposed efficiency schemes. Further review took place in April 2019, through the PPRC on 11 April 2019 and at a joint meeting of the APF/ACF on 25 April 2019.

On 27 March 2019 the Board had been asked only to approve specified items of capital expenditure, pending a more in depth consideration of the business continuity risks from extended operation of the Monklands site. That review took place at the PPRC on 11 April where the proposed 19/20 work programme to mitigate risks was endorsed. The wider capital plan proposals, were further reviewed by the Board's Capital Investment Group on 1 May 2019, with further work to produce a balanced plan carried out by the Director of Strategic Planning and Director of Finance. There has also been dialogue with the Scottish Government Health and Social Care Finance department (SGHSCD).

**3. SUMMARY OF KEY ISSUES**

To be able to fully fund pay rises, increased expenditure on drugs, supplies inflation and increased expenditure on Information Management and Technology it is estimated that the NHS Board will have to supplement the anticipated increase in allocations with a minimum £22.214m of efficiency plans. Even with the schemes agreed to date, £2.382m of further savings would be needed to deliver breakeven, though the reliance on £10.336m of non-recurring savings means work has to commence early to identify a higher total.

A number of changes will be required to the financial plan once new funding streams are announced but the assumption at the moment is these will be cost neutral. This will be closely monitored.

The Capital Allocation itself is insufficient to cover the combined requirements for mitigation of business continuity risk on the Monklands site, essential equipment and IT system replacements and minimum service requirements. An agreement has been reached with SGHSCD that NHS Lanarkshire can retain property receipts generated in year for local reinvestment, including a process for jointly managing the risk of delayed receipts. This still leaves a requirement to support elements of our infrastructure programme from revenue sources and this has been accommodated within the revenue plan.

#### 4. STRATEGIC CONTEXT

This paper links to the following:

Corporate objectives	<input checked="" type="checkbox"/>	LDP	<input checked="" type="checkbox"/>	Government policy	<input type="checkbox"/>
Government directive	<input checked="" type="checkbox"/>	Statutory requirement	<input checked="" type="checkbox"/>	AHF/local policy	<input type="checkbox"/>
Urgent operational issue	<input type="checkbox"/>	Other	<input type="checkbox"/>		

#### 5. CONTRIBUTION TO QUALITY

This paper aligns to the following elements of safety and quality improvement:

##### *Three Quality Ambitions:*

Safe	<input type="checkbox"/>	Effective	<input checked="" type="checkbox"/>	Person Centred	<input type="checkbox"/>
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##### *Six Quality Outcomes:*

Everyone has the best start in life and is able to live longer healthier lives; (Effective)	<input type="checkbox"/>
People are able to live well at home or in the community; (Person Centred)	<input type="checkbox"/>
Everyone has a positive experience of healthcare; (Person Centred)	<input type="checkbox"/>
Staff feel supported and engaged; (Effective)	<input type="checkbox"/>
Healthcare is safe for every person, every time; (Safe)	<input type="checkbox"/>
Best use is made of available resources. (Effective)	<input checked="" type="checkbox"/>

#### 6. MEASURES FOR IMPROVEMENT

Achievement of AOF agreed position for revenue resource limit, capital resource limit and efficiency target.

#### 7. FINANCIAL IMPLICATIONS

As set out in the paper.

#### 8. RISK ASSESSMENT/MANAGEMENT IMPLICATIONS

As set out in the paper.

## 9. FIT WITH BEST VALUE CRITERIA

This paper aligns to the following best value criteria:

Vision and leadership	<input type="checkbox"/>	Effective partnerships	<input type="checkbox"/>	Governance and accountability	<input checked="" type="checkbox"/>
Use of resources	<input checked="" type="checkbox"/>	Performance management	<input checked="" type="checkbox"/>	Equality	<input type="checkbox"/>
Sustainability	<input checked="" type="checkbox"/>				

## 10. EQUALITY AND DIVERSITY IMPACT ASSESSMENT

The individual savings schemes were reviewed for equalities impact and no proposals of potential concerns are incorporated in the plan presented to the Board.

Yes   
 No

## 11. CONSULTATION AND ENGAGEMENT

In addition to the engagement described in the route to the Board the input of those with specialist knowledge has been sought on specific areas, most notably in forecasting drug pricing and usage trends.

## 12. ACTIONS FOR THE BOARD

The Board is asked to approve the financial framework, noting the risks and uncertainties.

Approval	<input checked="" type="checkbox"/>	Endorsement	<input type="checkbox"/>	Identify further actions	<input type="checkbox"/>
Note	<input checked="" type="checkbox"/>	Accept the risk identified	<input type="checkbox"/>	Ask for a further report	

## 13. FURTHER INFORMATION

For further information about any aspect of this paper, please contact *Laura Ace, Director of Finance* Telephone: 01698 858190.

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*Laura Ace*  
*Director of Finance*

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## **SUBJECT: FINANCIAL PLAN: 2019/20 UPDATE**

### **1. PURPOSE**

This paper updates the Board on the further scrutiny and planning work since it approved the opening revenue plan on 27 March 2019, asks for confirmation that the efficiency plans can proceed and presents a capital plan for 2019/20 for approval. The projections for 2020/21 and 2021/22 are included as a first step in more detailed planning for these years.

### **2. CONTENT/SUMMARY OF KEY ISSUES**

The Board approved a rollover revenue budget for 2019/20 on 27 March 2019 subject to further scrutiny of the efficiency proposals. The scrutiny process has concluded and the Board is asked to confirm their inclusion.

Even with the anticipated delivery of these savings there is still an unidentified gap of £2.382m. Based on previous performance there could be a degree of confidence that the £2.382m gap could be closed. However there is a heavy reliance on one off measures in 2019/20. To start 2020/21 in a balanced position would require an additional £12.718m of recurring savings to have been identified for implementation by 1/4/20. Although the health budget for 2020/21 onwards has not been decided at national level there is a strong probability that the uplift will not be sufficient to cover the step up in pay costs under the existing 3 year deal and the widened access to new medicines. As well as closing the opening gap of £12.718m, a further £19m of savings are likely to be needed in 2020/21 as a minimum. One Corporate management team a month is being turned over to focussing on deciding approaches and coordinating workstreams to deliver financial sustainability.

As income streams and new expenditure forecasts are clarified throughout the year, this will be reported to the Board and the opening financial plan updated.

The requests against the Board's initial capital allocation were far in excess of funding available and the Board wished more detailed consideration of the business continuity risks on the Monklands site before decisions were made. On 27 March 2019 only immediate requirements were approved. Since then, the PPRC reviewed the Monklands proposals, and local planning work has continued in dialogue with SGHSCD. A workable proposal is being put to the Board for approval with this paper. It sits alongside project work or smaller item purchases (such as infusion pumps) which are being supported from infrastructure funding previously lodged with SG.

### **3. CONCLUSION**

The NHS Board is asked to confirm the inclusion of the identified efficiency proposals within the financial framework, note the proposal to step up focus on future financial sustainability, agree the opening capital plan and note that the plan will continue to evolve as more information becomes available.

### **4. FURTHER INFORMATION**

For further information or clarification of any issues in this paper, please contact:

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# **NHS LANARKSHIRE**

## **FINANCIAL PLAN: 2019/20 UPDATE**

### **1. Introduction**

- 1.1. This paper further develops the opening financial plan approved by the Board on 27 March 2019 by seeking confirmation of the included efficiency schemes, asking for approval of a capital plan and asking the Board to note likely further developments in financial planning.

### **2. Opening Financial Plan**

- 2.1. For ease of reference the opening financial plan approved by the Board is included as appendix 1. The Board's approval was conditional on further scrutiny of the identified efficiency schemes. Initial scrutiny prior to the plan going to the Board on 27 March 2019 had already led to some proposals being dropped, scaled back or deferred based on assessment of risk and impact. Further scrutiny took place at the PPRC on the 11 April 2019 and a combined APF/ACF on 25 April 2019 and this did not result in any further schemes being discounted.
- 2.2. The Board is being asked to confirm that the opening plan can now proceed with those efficiency schemes.

### **3. Further Developments in Financial Plan**

- 3.1. The opening plan presented to the Board on 27 March recognised an in year remaining gap of £2.382m, a recurring rollover problem of £12.718m into the next year and a high potential for the gap in 2020/21 of over £31.5m unless further efficiency schemes were identified early. Appendix 2 gives the projections for the next 2 years based on no further efficiency schemes being identified.
- 3.2. A remit has been drawn up for a focussed monthly meeting of CMT members to agree on approaches to identifying future efficiencies and for monitoring their delivery.
- 3.3. Throughout May there was still uncertainty on some significant 2019/20 funding streams. As these are resolved the plan will be adapted.
- 3.4. The year started without knowledge of the amount that would be awarded to support waiting times. To avoid a hiatus in activity, the Board proceeded at risk to put in place a waiting times programme for the first 6 months. It was flagged that should no national funding emerge the Board faced a £3m gap in the first 6 months from the additional activity committed at risk and had no remaining funding for the additional activity in the second half of the year. The Board has now had confirmation of £10.3m of financial support for TTG. This removes the £3m exposure and allows meaningful full year plans to be worked through. The same problem will reappear for 2020/21 as the Board's performance has been underpinned by in year Scottish Government funding for several years.

- 3.5. A change in the treasury discount rate has led to the NHS employers' superannuation rate being increased from 14.9% to 20.9%. The national impact of this is believed to be £330m. Boards have been told to assume this will be fully funded but work is ongoing on how to divide out central funding. Both income and expenditure budgets will require a material revision once this is decided.
- 3.6. After the Plan had been prepared for the 27 March Board, we were notified that access to medicines for very rare conditions was being widened in Scotland. An initial assessment was that this could add a further £11m nationally to drug costs for 2019/20. The opening plan recognised the risk from further growth in high cost medicines. At this stage the plan has not been amended but this risk will be closely monitored and reported back to the Board.
- 3.7. In 2018/19 the Board lodged £4.800m of infrastructure funding with Scottish Government to ensure cover for projects and cost pressures extending beyond the current year. £3.853m is being called down for 2019/20 in this opening plan. Now that projects and equipping requests have been considered as part of the capital planning process, this has been confirmed as required.
- 3.8. Scottish Government have indicated that, in order to keep the national budget balanced, where there is slippage against ring-fenced funding, no further allocations will be made until the slippage has been used. The biggest impact of this is likely to be in the areas delegated to IJB's where previous year's slippage on ring-fenced funding, such as primary care, sits in reserve.
- 3.9. The NHS receives multiple specific allocations in year. Aside from any impacted by 3.8 above, the assumption at this stage is that these will be as expected and be equally matched with expenditure so will not add to a pressure on the bottom line.

#### **4. Capital Plan**

- 4.1 NHS Lanarkshire expects to receive a £12.393m capital allocation. With the first £5.8m of capital now prioritised to reducing risk on the ageing Monklands site this did not leave sufficient funding to address essential equipment replacements and service requirements. Despite repeated iterations of the plan and recognising some schemes would need to wait, a balanced position could not be obtained.
- 4.2 Discussions with Scottish Government on how best to address this have resulted in a commitment from Scottish Government to underwrite the anticipated property receipts for 2019/20. We anticipate approximately £4m from this source, though none are yet in the bank. We have permission to proceed with a capital plan that assumes they will be received and reinvested locally. Should any receipt become unlikely to materialise by 31 March 2020 we must take all reasonable action to reduce the overcommitment but in the absence of expenditure that could be delayed at a late stage, Scottish Government will underwrite the gap and recover it from the eventual property receipt. Scottish Government have also set aside £2.4m to cover the MRRP development.

- 4.3 Revenue projects and minor equipment have been separated from the capital projects and will be supported from revenue funding – most notably the infrastructure funding lodged previously with Scottish Government. The remaining capital proposals have been balanced off against the capital funding available and the Board is asked to approve the plan.
- 4.4 The plan incorporates the Monklands business continuity work endorsed at the April PPRC.
- 4.5 The plan incorporates the priority e health work agreed at the e health strategy group and the ongoing impact (whether capital or revenue) of previous system upgrades . It also reflects some unavoidable costs of national upgrades.
- 4.6 Although provision has been made in the plan for work agreed as being in line with our strategic direction, final approval relies on the business case process being satisfactorily concluded. The systemic anti cancer unit work was approved in 2018/19, though detailed cash flow information is still awaited . The creation of the laminar flow theatre in Hairmyres was well trailed in 2018/19 and is at an advanced stage. More detailed project planning, timetabling and cost validation is needed for the work to relocate medical records and the creation of an additional 24 beds at Wishaw. The programme for work on the retained estate at Hairmyres has to be set out in detail with a clear prioritisation based on risk. The scheme of delegation will apply to any final decisions and the Board kept informed of progress and any potential changes. Approval is sought for the overall programme of work on the understanding business case process will be completed properly.
- 4.7 The future years projections are included for information only at this stage but highlight that the problem of insufficient capital is likely to be a feature in the next 2 years and early work is needed to map a way through this.

## 5. Conclusion

The Board is asked:

- to confirm that the efficiency proposals in the opening financial framework can proceed.
- to note ongoing developments in financial planning and in particular the increased risk round high cost drugs and the imperative to identify further efficiency savings in advance of 2020/21
- to approve the outline capital plan subject to individual elements being progressed in line with the business case process and project management principles.



**APPENDIX 1: NHS LANARKSHIRE FINANCIAL PLAI**  
**2019/20**

	Rest of health			Delegated to IJBs	
	2019/20 Recurring £m	2019/20 Non rec £m	2019/20 Total £m	2019/20 North	2019/20 South
Income					
General Allocation	18.513	0.000	18.513	6.516	4.722
NRAC	2.200	0.000	2.200		
New funding for integration authorities				8.181	11.578
Other funding	0.000	6.853	6.853	0.439	0.548
New Medicines Fund	3.289	4.240	7.529		
cfwd previous year	0.000	0.000	0.000		
cfwd recurring	-7.389	0.000	-7.389		
	16.612	11.093	27.705	15.136	16.848
Drugs	11.702		11.702	2.176	2.206
Pay Award	11.226		11.226	4.167	2.245
Other Pay Issues			0.000	0.599	0.432
Other Supplies	4.681	0.000	4.681	0.201	0.110
Health and Service Level Agreements	4.357	0.000	4.357	1.615	1.471
Cost Pressures / Developments					
Approved	2.546	6.853	9.399	8.852	12.222
	34.512	6.853	41.365	17.611	18.687
Identified Efficiency schemes	5.182	6.096	11.277	2.474	1.840
Savings gap	-12.718	10.336	-2.382	0.000	0.000
Total savings needed as a percentage of budget	2.51%		1.92%	0.95%	0.97%
	17.899		13.659	2.475	1.840

**APPENDIX 2: NHS LANARKSHIRE FINANCIAL PROJECTIONS 20/21 and 21/22  
BASED ON EXISTING COMMITMENTS**

	<b>2020/21</b>	<b>2021/22</b>
	<b>Total</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>
Income		
General Allocation	29.983	30.733
NRAC	0.000	0.000
New funding for integration authorities	7.687	5.590
Other funding	1.309	0.125
New Medicines Fund	4.240	4.240
cfwd previous year	-2.382	-31.689
cfwd recurring	-12.718	-29.307
	28.119	-20.308
Drugs	11.173	11.262
Pay Award	23.882	12.894
Other Pay Issues	0.254	0.254
Other Supplies	4.865	4.981
Health and Service Level Agreements	7.629	7.820
Cost Pressures / Developments Approved	12.006	7.635
	59.808	44.846
Identified Efficiency schemes	0.000	0.000
Savings gap	-31.689	-65.154
Savings gap if 1.5% uplift	-43.682	-101.613
Savings gap if 2.7% uplift	-29.290	-57.833

Note: Only the 19/20 allocation uplifts are known. Future years percentage rises are illustrative only.

### APPENDIX 3: NHS LANARKSHIRE THREE YEAR CAPITAL PLAN 19/20 to 21/22

	2019/20	2020/21	2021/22
	£M	£M	£M
<b>CAPITAL INCOME:</b>			
<b>Initial Capital Formula Allocation:</b>	<b>12.392</b>	<b>12.392</b>	<b>12.392</b>
<b>Capital Resource limit adjustments:</b>			
MRRP Business Case Development Funding	2.400	6.000	25.000
Regional Capital Contribution	0.112	0.633	0.210
Separate National Funding	0.050		
<b>Anticipated Total per Allocation Letter</b>	<b>14.954</b>	<b>19.025</b>	<b>37.602</b>
Property Disposals	4.075	1.400	
Other Income	0.017	0.018	0.021
<b>ADJUSTED NET ALLOCATION</b>	<b>19.046</b>	<b>20.443</b>	<b>37.623</b>
<b>CAPITAL EXPENDITURE:</b>			
<b>Monklands General Business Continuity</b>	<b>5.800</b>	<b>5.000</b>	<b>5.000</b>
Fire Safety works	1.631	0.330	
Drainage	0.924		
Flat roof repairs East & West Tower – Stage 1B & 2		0.940	
Security (access control/CCTV) – Stage 1B & 2	0.948		
Infection Protection Control (Toilets & Showers) Stage 1B	0.963		
Other (being worked up)		3.630	4.900
Asbestos Removal	0.324		
NHSL Capital Staff Costs	0.100	0.100	0.100
Ventilation	0.648		
Site Overheads and CDM Fees	0.262		
<b>Other Hospital Property Works</b>	<b>3.230</b>	<b>3.500</b>	<b>-</b>
Hairmyres vascular surgery	0.050	1.000	
Cancer Unit ( SACT)	1.000		
Hairmyres Laminar Flow Theatre 8	0.650		
Wishaw - Create 24 bed Ward	0.500	2.000	
Relocate/reprovide Medical Records	0.300		
Wishaw Theatre Storage to Support T&O	0.080		
Forensic Medical Services	0.050		
Hairmyres Retained Estate ( MH)	0.500	0.500	
Ophthalmology Surgicube	0.100		
<b>New Monklands Fees</b>	<b>2.400</b>	<b>6.000</b>	<b>25.000</b>
<b>Sub-Total</b>	<b>11.430</b>	<b>14.500</b>	<b>30.000</b>
<b>Medical Equipment</b>	<b>4.600</b>	<b>6.000</b>	<b>6.000</b>
Cath Lab			
Imaging Equipment			
Other	4.600	6.000	6.000
<b>Other Service Developments</b>	<b>0.020</b>	<b>2.500</b>	<b>0.500</b>
Northern Corridor	0.020	2.500	0.500
<b>Other Expenditure</b>	<b>0.453</b>	<b>0.600</b>	<b>0.420</b>
Statutory Maintenance	0.173		
PSSD Equipment - Laundry	0.280	0.600	0.420
<b>I.M.&amp; T Infrastructure Projects</b>	<b>2.543</b>	<b>2.131</b>	<b>1.451</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>19.046</b>	<b>25.731</b>	<b>38.371</b>
<b>(OVER) / UNDER COMMITTED</b>	<b>(0.000)</b>	<b>(5.288)</b>	<b>(0.748)</b>